

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0161  
**COMPANY NAME** : SCH GROUP BERHAD  
**FINANCIAL YEAR** : August 31, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and job descriptions including the limits of management's responsibilities, which the management is aware and are responsible for meeting.</p> <p>The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place, that effectively monitor and manage these risks with a view to the long-term viability of the Group.</p> <p>The principal roles and responsibility assumed by the Board are as follows:</p> <ul style="list-style-type: none"><li>• <u>Review and Adopt Strategic Plans of the Group</u></li></ul> <p>The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercise which support the Group's business plan and budget plan.</p> <ul style="list-style-type: none"><li>• <u>Oversight of the Group's Business</u></li></ul> <p>The day-to-day management of the business operations of the Group is led by the Executive Directors and assisted by the Senior Management personnel. Their performance under the leadership of the Executive Director is assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction</p>

	<p>initiatives, significant operational and regulatory challenges faced by the Group during these meetings.</p> <ul style="list-style-type: none"> <li>• <u>Review of Internal Control and Integrity of Management Information</u></li> </ul> <p>The Board is overall responsible for maintaining a proper internal control system. The Board’s responsibilities for the Group’s system of internal controls include reviewing financial condition of the business, operational, regulatory compliance as well as risk management matters.</p> <ul style="list-style-type: none"> <li>• <u>Formulate and Put in Place an Appropriate Succession Plan</u></li> </ul> <p>The Board is responsible to formulate and put in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for the Directors and senior management of the Group, as well as assessing the performance of Directors and Committee members.</p> <ul style="list-style-type: none"> <li>• <u>Develop and Implement an Investor Relations Program or Shareholder Communications Policy for the Group</u></li> </ul> <p>The Board recognises that shareholders and other stakeholders are entitled to be informed on a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company’s website is the primary medium in providing information to all shareholders and stakeholders.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.2**

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The roles and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 4 of the Board Charter, which is available on the Company's website at <a href="http://www.schgroup.com.my">www.schgroup.com.my</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The distinct and separate roles and responsibilities of the Chairman and Executive Director are provided in Paragraph 3 and 4 of the Board Charter, which is available on the Company's website at <a href="http://www.schgroup.com.my">www.schgroup.com.my</a>.</p> <p>There is a clear separation of duties and responsibilities of the Chairman and the Executive Director, to ensure an appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Executive Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Executive Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is clear separation of powers between the Chairman, who is an independent director and the Executive Director, and this further enhances the independence of the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In compliance with MCCG 2017, the Board is supported by two (2) External Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretaries provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG 2017, guidance and legislation.</p> <p>The Board has ready and unrestricted access to the advice and services of the Company Secretaries, who are considered capable of carrying out the duties to which the post entails. The Directors may seek advice from the management on issues under their respective purview. The Directors may also interact directly with the management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.</p> <p>The Company Secretaries keep the Board abreast with the latest regulatory updates and also ensure that deliberations at Board and Board Committee meetings are well documented.</p> <p>The Board is satisfied with the performance and support rendered by the two (2) qualified and experienced Company Secretaries to the Board in discharge of its functions.</p> <p>The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:</p> <ul style="list-style-type: none"><li>• assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;</li><li>• administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders;</li><li>• acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;</li></ul>

	<ul style="list-style-type: none"> <li>• advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;</li> <li>• advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;</li> <li>• monitoring compliance with the Act, the MMLR and the Constitution of the Company;</li> <li>• facilitating orientation of new director;</li> <li>• disseminating suitable training courses and arranging for Directors to attend such courses when requested.</li> </ul>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advisers or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.</p> <p>Minutes of meetings are circulated and confirmed as correct record of the Board and Board Committees at the following meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter is available on the Company's website at <a href="http://www.schgroup.com.my">www.schgroup.com.my</a>.</p> <p>The Board Charter addresses, among others, the following matters:</p> <ul style="list-style-type: none"> <li>i) General outline of the Board's purpose;</li> <li>ii) An overview of the Board's roles and responsibilities;</li> <li>iii) Structure and membership;</li> <li>iv) A description of the role of the Chairman, the Executive Directors, the Non-Executive Directors as well as the Independent Directors;</li> <li>v) Board process;</li> <li>vi) Directors' remuneration;</li> <li>vii) Appointment of Board Committees;</li> <li>viii) Relationship with shareholders;</li> <li>ix) Code of Conduct and Ethics; and</li> <li>x) Whistle blowing policy.</li> </ul> <p>The Board Charter is reviewed periodically to ensure that the dynamic needs of the Group are consistently met.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Conduct and Ethics for Directors are mainly driven from the following areas:</p> <ul style="list-style-type: none"><li>i) Corporate Governance;</li><li>ii) Relationship with shareholders, employees, customers and creditors; and</li><li>iii) Social Responsibilities and the Environment</li></ul> <p>The Code of Conduct and Ethics for directors was adopted in 26 July 2016 and will be reviewed from time to time when there are significant developments requiring the Code of Conduct and Ethics for Directors to be amended. A copy of the Code of Conduct and Ethics is available at the Company's website at <a href="http://www.schgroup.com.my">www.schgroup.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had established a whistle blowing policy that serve as a platform and laid out the procedures for employees to raise genuine concerns about any suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.</p> <p>The whistle blowing policy sets out the protection to reporting individual who has made the disclosure or report in good faith, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedurals flow of making the disclosure or report.</p> <p>The Board will review the whistle blowing policy from time to time to ensure that it remains relevant and appropriate. The whistle blowing policy is available on the Group's website at <a href="http://www.schgroup.com.my">www.schgroup.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The current Board of Directors consists of six (6) members comprising:</p> <ul style="list-style-type: none"> <li>• One (1) Executive Director;</li> <li>• Two (2) Non-Independent Non-Executive Directors; and</li> <li>• Three (3) Independent Non-Executive Directors</li> </ul> <p>The Company had complied with the requirement of the Rule 15.02 (1) of the Listing Requirements to have at least two (2) or one third (1/3) of its members make up of Independent Non-Executive Directors as well as the recommendation of MCCG 2017 whereby at least half of the Board comprises of Independent Non-Executive Directors. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the Nomination Committee regularly reviews the composition of the Board and Board Committees.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.</p> <p>Before any recommendation made to the Board, the Nomination Committee will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:</p> <ul style="list-style-type: none"><li>a) Skills, knowledge, expertise and experience;</li><li>b) Professionalism;</li><li>c) Integrity;</li><li>d) Existing number of directorships held;</li><li>e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and</li><li>f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from independent non-executive directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of "independent directors" prescribed by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.</li></ul> <p>The Board pursues diversity in both the Board level and Senior Management level and recognises a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board whilst the diversity at Senior Management will lead to better decisions.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group.</p> <p>The Group basically evaluate the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future.</p> <p>Currently, the Board does not comprise of any female director. In line with the country's aspirational target of 30% representation of women on boards, the Board may consider appointing more females onto the Board in future to bring about a more diverse perspective.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board does not appoint external parties to identify suitably qualified candidates during the recruitment process.</p> <p>Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.</p> <p>In general, the process for the appointment of a director to the Board is as follows:</p> <ul style="list-style-type: none"><li>i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;</li><li>ii) The Nomination Committee determines skills matrix;</li><li>iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;</li><li>iv) The Nomination Committee recommends to the Board for appointment; and</li><li>v) The Board approves the appointment of the candidates.</li></ul> <p>Before any recommendation made to the Board, the Nomination Committee will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:</p> <ul style="list-style-type: none"><li>a) Skills, knowledge, expertise and experience;</li><li>b) Professionalism;</li><li>c) Integrity;</li></ul>

	<p>d) Existing number of directorships held;</p> <p>e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and</p> <p>f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from independent non-executive directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of “independent directors” prescribed by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p><b>Timeframe</b></p>	<p>: Choose an item.</p>

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Gan Khong Aik, the Chairman of Nomination Committee is an Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming AGM, with a view to meeting current and future requirements of the Group.</p> <p>The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self-assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.</p> <p>Based on the assessment conducted for the financial year ended 2018, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a Remuneration Committee ("RC") to review and ensure that the remuneration of its members fairly reflect the Board's and members' responsibilities, the expertise required by SCH and the complexity of its operations. The said remuneration should also be in line with the business strategy and long-term objectives of SCH.</p> <p>The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.</p> <p>The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.</p> <p>The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organizations, adjusted for the experience and levels of responsibilities undertaken by that particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.</p>

	The Terms of Reference of the RC can be viewed at the Company's website <a href="http://www.schgroup.com.my">www.schgroup.com.my</a>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has set up a Remuneration Committee which comprises exclusively of Independent Non-Executive Directors in order to assist the Board in determining the Directors' remuneration.</p> <p>The Remuneration Committee evaluates the remuneration packages of senior management executives and recommends for the Board's approval and to review the framework of executive remuneration of the Executive Director's remuneration package.</p> <p>Non-Executive Directors' fees are determined by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.</p> <p>The terms of reference of the Remuneration Committee is made available to public at the Company's website <a href="http://www.sch.com.my">www.sch.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual directors are set out in Page 29 of the Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is of the opinion that the disclosure of the Senior Management personnel names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security reasons. The Board ensures that the remuneration of Senior Management commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.	
		The disclosure of the remuneration of the top five Senior Management of the Company is currently made on an aggregate basis and it allows stakeholders to make an appreciable link between remuneration of Senior Management and the Group. The details of the disclosure can be found in page 30 of the Annual Report 2018.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board of Directors has established an Audit Committee which is chaired by the Independent Non-Executive Director, Mr Sim Yee Fuan. Meanwhile, the Chairman of the Board is Dato' Chan Choun Sien. As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the Audit Committee and the Board on matters that require the Board's attention.</p> <p>The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.</p> <p>To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:</p> <ul style="list-style-type: none"><li>i) the adequacy of the experience and resources of the External Auditors;</li><li>ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;</li><li>iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and</li><li>iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.</li></ul>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors, as follows:</p> <ul style="list-style-type: none"><li>• Sim Yee Fuan (<i>Chairman, Independent Non-Executive Director</i>)</li><li>• Dato' Chan Choun Sien (<i>Member, Independent Non-Executive Chairman</i>)</li><li>• Gan Khong Aik (<i>Member, Independent Non-Executive Director</i>)</li></ul>

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including financial reporting process. The qualification and experience of the individual Audit Committee members are disclosed in the Profile of Board of Directors in the Annual Report.</p> <p>All member of the Audit Committee undertakes continuous professional development to ensure that they are abreast of relevant developments in accounting and auditing standards, practices and rules.</p> <p>Members of the Audit Committee attend trainings and talks to keep them updated on developments on financial standards. Updates on developments in accounting and governance standards are presented by the external auditors at Audit Committee meetings.</p> <p>A summary of training programmes, conferences and seminars attended by Audit Committee members during the financial year under review is set out on pages 26 to 27 of the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied													
<b>Explanation on application of the practice</b>	:	<p>The details of the Group's systems of risk management and internal control are reported in the Audit Committee Report and Statement on Risk Management and Internal Control on page 38 to 41 of the Annual Report 2018 respectively.</p> <p>Another initiative done by the Company in effectively progressing in monitoring effective risk management and internal control within the Company, the Board has set up a Risk Management Committee (RMC) comprises three (3) present members of the RMC that are:</p> <table border="1"> <thead> <tr> <th>Designation</th> <th>Name</th> <th>Directorship</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Gan Khong Aik</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Member</td> <td>Dato' Chan Choun Sien</td> <td>Independent Non-Executive Chairman</td> </tr> <tr> <td>Member</td> <td>Wong Kin Seng</td> <td>Executive Director</td> </tr> </tbody> </table>		Designation	Name	Directorship	Chairman	Gan Khong Aik	Independent Non-Executive Director	Member	Dato' Chan Choun Sien	Independent Non-Executive Chairman	Member	Wong Kin Seng	Executive Director
Designation	Name	Directorship													
Chairman	Gan Khong Aik	Independent Non-Executive Director													
Member	Dato' Chan Choun Sien	Independent Non-Executive Chairman													
Member	Wong Kin Seng	Executive Director													
<b>Explanation for departure</b>	:														
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>															
<b>Measure</b>	:														
<b>Timeframe</b>	:														

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The details of the Group’s risk management and internal control framework is elaborated in page 40 to 41 of the Statement on Risk Management and Internal Control of the Annual Report 2018, which has been reviewed by the External Auditors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### **Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Board has set up a Risk Management Committee comprises three (3) members as follows:  1) Chairman : Mr Gan Khong Aik, Independent Non-Executive Director 2) Member : Dato' Chan Choun Sien, Independent Non-Executive Chairman 3) Member : Wong Kin Seng, Executive Director

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Company is effective and remains independent all the time. The internal audit function is set out in the Statement on Risk Management and Internal Control and Audit Committee Report.</p> <p>Internal Auditors reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference especially when there is pertinent points should any of the Board members wish to highlight or seek clarification.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has appointed an established external professional Internal Audit firm namely ECO Asia Advisory Sdn Bhd., headed by Mr Woon Soon Fai, Fellow Members of the Association of Chartered Certified Accountants (FCCA). He has vast experience and exposure in the Internal Audit field. He was assisted by one other Internal Auditor professional staff in this assignment during the financial year under review. The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies. The audit personnel are free from any relationships or conflicts of interest, which could impair the objectivity and independence.</p> <p>The details of the internal audit function is elaborated in page 38 of the Audit Committee Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board recognises that shareholder and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company’s website is the primary medium in providing information to all shareholders and stakeholders.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not a Large Company as defined by the MCCG 2017.	
		The Company will consider adopting integrated reporting if the Directors opined that benefits of the adoption outweigh the cost.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the AGM as an invaluable platform for shareholders to engage both the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall performance of the Group. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders.</p> <p>In this regard, the notice for the Seventh Annual General Meeting was given 28 days prior to the Annual General Meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>At the Sixth (6th) AGM of the Company held on 26 January 2018, majority of Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.</p> <p>The Chairman of Audit, Nomination and other committees as well as Senior Management and the Company's external auditors attended the AGM and are available to give response if there are any questions addressed to them.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.3**

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders’ participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Not applicable to the Company in view that the Company does not have large number of shareholders, did not in the past held meetings in remote location and does not intent to have meetings in remote locations in the future.</p> <p>The Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. The Company may consider exploring a suitable and reliable system to facilitate voting in absentia and remote participation by shareholders in future.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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